

**TESTIMONY OF  
CHAIRMAN LINDA W. CROPP  
COUNCIL OF THE DISTRICT OF COLUMBIA**

**BEFORE THE  
UNITED STATES HOUSE  
COMMITTEE ON GOVERNMENT REFORM**

**FRIDAY, JUNE 13, 2003  
10:00 A.M.  
RAYBURN HOUSE OFFICE BUILDING  
ROOM 2154**

Chairman Davis, Congressman Waxman, Congresswoman Norton, and members of the Committee on Government Reform, good morning! Let me begin by thanking you, Mr. Chairman, for holding this public hearing and for co-introducing, with Congresswoman Norton, the legislation under consideration here today -- to provide greater autonomy to the locally elected Mayor and Council over the locally funded portion of the District of Columbia budget. We also very much appreciate the support of the President of the United States for this proposal, and your efforts to make that happen.

If enacted, the "District of Columbia Budget Autonomy Act of 2003" would be the first real advancement of home rule in the District since Congressional enactment of the limited Home Rule Act nearly 30 years ago. And let me add, it's about time! Submitted with my testimony is a proposed resolution signed by all 13 members of the Council in support of budget autonomy for the District, which I will not read but ask that it be included within the record of this hearing.

As you have requested in your letter of invitation to this hearing, let me provide you with a few examples of the fiscal discipline exercised by locally elected officials since the Financial Authority became dormant, and of the mechanisms and safeguards in place to prevent the District from lapsing into a fiscal crisis.

## **Fiscal Discipline and Safeguards**

This past February, we received the annual Comprehensive Annual Financial Report, which certified that the District's fiscal year 2002 budget that ended on September 30, 2002 was our sixth consecutive balanced or surplus budget. Of course, it was our fourth consecutive surplus two years ago that caused the dormancy of the Financial Authority.

Nonetheless, the District is struggling this year to maintain the current Fiscal Year 2003 budget in balance --- due primarily to two factors beyond our control:

(1) the continuing revenue losses (particularly income, but also sales, tax losses) due to the national downturn in the economy, and also due to the continuing aftermath of September 11th, anthrax, sniper and terrorist alerts; and

(2) the continuing structural inequities in the District's financial relationship with the Federal government, which has been verified by the recently released report by the United States General Accounting Office, and which still exists despite the budgetary benefits provided to the District, under your leadership Mr. Chairman, due to passage of the 1997 Revitalization Act.

In the face of these challenges, the Council took the lead and made tough decisions with the Mayor in closing a \$323-million-dollar-plus revenue shortfall in

this year's FY 2003 budget on the very first day of the Fiscal Year -- October 1, 2002. Then on April 1st, six months into the fiscal year, the Council took emergency action to close another \$134 million hole in this year's budget. Of course, our counterparts in Virginia and Maryland and all across the country face similar challenges, although we think that the District has acted more quickly, effectively and responsibly to balance our budget without gimmicks or one-time-only savings.

Almost two-thirds of the District's initial revenue shortfall (or about \$195 million) this year was closed through spending reductions, and the remainder was closed through revenue increases (but no increases in income, general sales or occupied property tax rates). The most recent budget pressures and revenue shortfalls this year required further programmatic reductions, a hiring freeze, suspension of pay step increases, and other measures.

*The Council will continue to squarely face the challenge of fiscal discipline and strict oversight of financial management, while continuing to fulfill our commitment to targeting expenditures and investments on critical priorities.* In the Fiscal Year 2004 budget that we just forwarded to Congress, my colleagues and I worked extremely hard to avoid any tax increases. Instead, we scrubbed the budget to identify surgical reductions in the growth of spending, and in the growth

of consulting contracts, to a level closer to the 4% level of budget increases that we had said a year ago was a more sustainable annual increase in local spending. For the FY 2005 budget, the Council has mandated that the Mayor limit growth in local funds expenditures to not more than 3.5% over the FY 2004 budget.

The Council has been vigilant in its oversight responsibilities -- holding more oversight hearings than ever before, in an effort to hold officials accountable for living within their means, while delivering the services they are budgeted to deliver to our residents, visitors and businesses.

The Chief Financial Officer has instituted an early warning system that notifies the Council and the Mayor of budget pressures -- whether on the spending or revenue side of the ledger -- in time to consider and take the necessary actions on various identified options to address these pressures before it is too late.

Another mechanism utilized by the District has been Pay-Go funding, which allows appropriated dollars to be spent only after certain performance or other measurements are realized and certified. We have also worked with the Mayor and the CFO to craft local legislation to assure the continued independence of the Office of the Chief Financial Officer within the home rule context, which requires amendments to the Home Rule Act which we hope you will consider.

Congressionally imposed reserve requirements -- both budgeted and cash

reserves -- have also served to cushion the impact of budget shortfalls or meet unanticipated needs in the District; nonetheless, we think that the positive aspects of these reserves can still be realized with somewhat more flexibility in how these reserves are set up and operate.

*Perhaps the best evidence of the fiscal discipline that has continually been exercised by District officials for several years is that we have finally been recognized and rewarded on Wall Street. As you know, the District's bond rating was recently upgraded from "stable" to "positive," and there is an expectation for further upgrading. This achievement, which will result in significant savings in our borrowing costs, has occurred at a time when other jurisdictions' bond ratings across the country have been downgraded. Our bond rating upgrades are occurring due to the hard work and positive image of the District that has been fostered by local officials, working in partnership with our Congressional counterparts and the business community.*

Mr. Chairman, although I think that the District of Columbia has clearly demonstrated that we have earned the right to local budget autonomy, let me say, and I hope you would agree, that the fundamental right of self-determination in a representative democracy should not have to be earned by "good behavior." Indeed, to be governed by the consent of the governed is the founding principle of

the United States of America, and it is what our country preaches around the world as a basic human right that is worth fighting wars about. In fact, increased autonomy for locally elected officials -- both budgetary autonomy as well as legislative autonomy, which we also hope you will consider -- will necessarily increase accountability by locally elected officials for their actions. Autonomy and accountability are what our form of constitutional government is supposed to be all about.

Having the District's local funds budget of \$3.8 billion in locally raised revenues be subject to the Federal appropriations process of the U.S. House of Representatives, where we have no vote, and to the process of the U.S. Senate, where we don't even have an elected voice, highlights the undemocratic, separate and unequal treatment of the District by the Federal Government. No other local or state jurisdiction in the United States is burdened by having the expenditure of its locally or state-raised revenues subject to Congressional review and approval. But even if local or state government budgets were subject to Congressional approval, at least their citizens would have voting representation in the body controlling their own purse strings.

The current budget process is not only undemocratic -- which should be enough of a reason by itself to enact budget autonomy legislation; the existing

process is also a bad way to run a government. Requiring submission of the District's local funds budget as part of the Congressional appropriations process requires the District to formulate a budget too far in advance of revised revenue estimates and expenditure needs that would otherwise be known and lead to more responsible and responsive decision-making. And requiring affirmative Congressional approval of the District's local funds budget has often led to the absurd result of the District getting caught up in national policy disputes that typically delay our local budget's enactment for several months into the fiscal year -- delaying new initiatives, preventing organizational reforms and creating uncertainty about different, often lower, allocations of spending.

In addition to being counter to principles of democracy and good government -- as if that also were not enough, Congressional review and approval of the District's local budget -- and local legislation for that matter -- is simply not necessary. Congress, as we are reminded constantly, retains exclusive jurisdiction over the District pursuant to section 8 of Article I of the U.S. Constitution. As such, Congress can enact legislation at any time affecting local policy and budgetary matters in the District.

Moreover, Congress itself, in enacting the Financial Responsibility and Management Assistance Act of 1995, established the fiscal criteria that would lead



to the re-activation of the Financial Authority. That is more than enough "hammer" hanging over locally elected officials' heads to take fiscally responsible actions in the best interests of the citizens of the District of Columbia.

Finally, let me note that the Council has imposed upon itself stringent fiscal impact requirements for the enactment of legislation. Council Rule 443(c) provides:

"....no bill, resolution, or an amendment to a bill or resolution may be enacted or approved by the Council without a Council fiscal impact statement and worksheet, if applicable, which has been approved by the Council Budget Director or the Chief Financial Officer in the measure or committee report, presented to the Council, at the time of its consideration. The Council fiscal impact statement shall include the estimate of costs which will be incurred by the District as a result of enactment of the measure in the current and each of the first 4 fiscal years for which the act or resolution is in effect, together with a statement of the basis for such estimate. The statement shall include the following:

"(1) A general statement of the effects the measure will have on the operating and capital budgets for the current and next 4 fiscal years;

"(2) A quantitative estimate of the expenditures needed to implement the measures;

"(3) An identification of the revenues and funds currently available, or likely to be available from existing revenue sources to implement the measure, if it is to be implemented within the current fiscal year;

"(4) A statement on the extent to which current appropriations are available to finance implementation of the measure, if it is to be implemented within the current fiscal year; and

"(5) An identification of the specific funding source to be recommended in the forthcoming fiscal years to implement the measure, if the cost of implementation is estimated to exceed \$100,000 in that fiscal year."

In summary, because Congressional review and approval of the District's local funds budget and local legislation is undemocratic, unnecessary, and runs counter to principles of good government, I urge this Committee and the Congress to take expeditious action to provide both budgetary and legislative autonomy to the Mayor and the Council of the District of Columbia.

Thank you again for holding this hearing today, and for the opportunity to testify in favor of greater self-determination for the citizens of the District of Columbia.